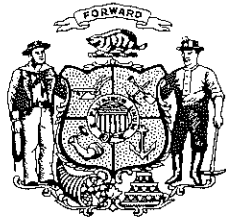


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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Mark Miller
Representative Mark Pocan

Date: December 13, 2010

Re: DNR Report to JFC

Attached is a report on land management contracts on Department properties from the Department of Natural Resources pursuant to s. 23.0912(2), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

MM:MP:jm

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DEC 13 2010

DEPARTMENT OF NATURAL RESOURCES
Land Management Contracting Report - FY 2008-2009 BY: *St. Finance*
June 10th, 2010

Introduction

S. 23.0912(2), Wis. Stats., as created in the 2007-09 Biennial Budget (2007 Act 20) requires the Department of Natural Resources (DNR) to submit a report to the Joint Committee on Finance (JCF) concerning land management contracts on department properties. This document is intended to satisfy that requirement.

Statutory requirement language

23.0912 Contracts for land management; reports.

- 23.0912(1) The department may contract with nonprofit conservation organizations, as defined in s. 23.0955(1) [see below], and with private companies to perform land management activities on department land, as defined in s. 23.0917(1)(c) [see below].
- 23.0912(2) The department shall prepare, for the joint committee on finance, an annual report concerning any contracts into which the department enters under sub. (1) during each fiscal year. For each contract entered, the report shall include information concerning the cost of the contract, the activities performed under the contract, and an assessment of the cost-effectiveness of the contract. The department shall submit the report to the committee no later than November 15 for the preceding fiscal year, and shall submit the first report no later than November 15, 2008.

Definitions and scope of existing statutes

- 23.0955(1) In this section, "nonprofit conservation organization" means a nonprofit corporation, a charitable trust or other nonprofit association whose purposes include the acquisition of property for conservation purposes and that is described in section 501(c)(3) of the internal revenue code and is exempt from federal income tax under section 501(a) of the internal revenue code.
- 23.0917(1)(c) "Department land" means an area of land that is owned by the state, that is under the jurisdiction of the department and that is used for one of the purposes specified in s. 23.09(2)(d).

Definitions of terms

Private company: For purposes of this report it is understood to mean any organization incorporated under Chapter 180 or 183, Wis. Stats.

Land management: For purposes of this report this term means maintenance, repair or replacement of paving (regardless of material used), buildings, wild or cultivated plants, or the land itself for habitat or other recreational purposes. It includes structures associated with the

specific purposes noted in s. 23.09(2); it does not include maintenance associated with general office operations or other activities not clearly related to such purposes.

Examples of Items Included in Report

Fish hatchery facilities
Habitat management
Prescribed burning
State park visitor centers and services
Trail construction or maintenance
(whether paved or unpaved)

Examples of Items Excluded from Report

Office buildings or facilities
Law enforcement

Reasons for Contracting

Cost-effectiveness: The term is used here to indicate whether the product or service was purchased at a lower cost than if it had been provided by state employees. As noted in the report, the Department may frequently make the determination of whether or not to contract for services or materials based upon the existence and availability of state employees with the necessary knowledge, time and equipment in the proximity to the site on which the work is being performed.

Contracts provide the ability to perform land management work that otherwise does not exist within the department. In these circumstances, the consequences of not contracting for the work performed or materials provided is that it may not be performed at all.

Methodology of Report

Prior to compiling the 2009 report, the Department reviewed its methodology for determining whether all costs for land maintenance across the agency were being included in the report. The 2008 report included costs that were contracted for utilizing a purchase order and payment was made by encumbering the funds and then liquidating the encumbrance upon receipt of an invoice. The 2009 report broadens the scope of allowable costs by including all direct pay costs as well as those paid through a purchase order.

In compiling the 2009 report, the Department identified types of work that were contracted for rather than utilizing state employees. The work that was contracted for would have either been outside of the Department's expertise set, personnel were unavailable to accomplish the work given the timeliness of the project or contracting was the most efficient way to accomplish the necessary work. The following summaries describe the types of land management work that the Department contracted out and identifies the variety of issues related to evaluating the need to contract and the cost-effectiveness of doing so.

Boat Access Site Land Maintenance: \$130,026.11

Road and boat access maintenance are common activities requiring heavy materials transfer. Due to the remote location of many boat access sites that the Department administers, coupled with reduced staffing levels, it is frequently more cost effective to contract for work at these

locations. In addition, much of the work is related to paving, and pier installations/removal which is frequently cheaper to hire for rather than utilize existing staff time to accomplish.

Habitat Land Maintenance: \$165,162.52

One of the more common services the Department contracts for is earth-moving, whether in the form of soil or rock. This work requires access to quarries and rock-crushing facilities as well as the equipment needed to load, transport and install large, bulky and very heavy loads. In addition, costs under this category are often related to equipment maintenance/replacement which the department is required to contract out for. Costs related to habitat land maintenance also involved moving soil and rock to excavate channels for culverts, place the culverts, and replace the soil and rock. They also provided broken and crushed rock placing erosion control material (riprap) along stream banks. This work is typically contracted for due to unavailability of DNR personnel during periods of reduced LTE capacity coupled with the timeliness of the project.

Fish Hatchery Land Maintenance: \$42,971.23

Many of the costs contracted for fish hatchery work center around well maintenance/restoration or proper closure. If this work is done internally, the Department frequently must rent or purchase special equipment to perform this work. If trained personnel are unavailable to perform the work, contracting is the only option.

Invasive Species Control: \$152,077.13

Costs related to invasive species' removal involve contracted labor to cut and remove invasive species and then to spray the stump with herbicide to prevent it from growing back. The most effective time to do this work is typically in the fall, winter or early spring. Due to the timing of LTE hires, reassigning existing permanent employees to accomplish these projects would have required setting aside other high-priority work.

Land Maintenance: \$466,226.63

There are a variety of costs in this category that necessitate a capacity to perform work that the Department may not have. Many of the costs identified in the above categories are present here including road, trail, parking lot and equipment maintenance necessitating specialized equipment to perform. In addition, contracts for earth moving related to habitat or facility restoration and maintenance work occur often in this category of costs. Supplies used to complete work performed by Department personnel are also included in this grouping. Contracts for work related to herbicide spraying to prepare land for restoration are included here. The Department would contract for these services as it would for invasive species work. Lastly, contracts for technical assistance for which the Department does not have the personnel available are included here.

Tree Planting: \$39,949.31

Tree planting is a necessary part of land management, and it is done during the spring in order to maximize the chance of the plants' survival. This is also the time when Department staff are getting buildings and other operations up and running. The primary reason these projects were contracted for was lack of available staff time to accomplish the work. Given the short time frame and range of other critical work, it was not possible for existing staff to accomplish the projects.

Wetland Land Maintenance: \$198,768.84

Similar to the Land Maintenance category above, there are a variety of costs in this category that necessitate a capacity to perform work that the Department may not have. Many of the costs identified in the above categories are present here including equipment maintenance necessitating specialized equipment to perform and a capacity that the Department lacks. In addition, contracts for earth moving related to habitat or facility restoration and maintenance work occur often in this category of costs. Supplies used to complete work performed by Department personnel are also included in this grouping. Contracts for work related to herbicide spraying to prepare land for restoration are included here. The Department would contract for these services as it would for invasive species work. Lastly, contracts for technical assistance for which the Department does not have the personnel available are included here.

Wildlife Area Land Maintenance: \$12,245

These costs center around services performed that necessitate specific technical expertise which the Department either did not have or did not have the personnel available to perform the work. In the cases of these contracts, the Department determined that the costs of contracting this work were necessary to ensure the timeliness of the work performed.

Facilities Maintenance: \$525,706.48

Contracts related to facilities maintenance are in response to a variety of needs; however, a majority of the contracts are related to capital development projects specifically road building and maintenance as well as facility repair and maintenance. Utilizing contractors for these types of expenses is both cost effective and necessary as the Department typically does not have trained personnel available to perform these types of work. Lastly, the Department contracts for technical work, including asbestos removal, well repair and microfiche services for which the Department lacks the capacity to perform.

Trail Maintenance: \$249,558.34

The Department will contract for snowmobile grooming services with local snowmobile clubs utilizing statutorily authorized, dedicated funds for this purpose. Also, a majority of the contracts are related to capital development projects specifically trail building and maintenance. Utilizing contractors for these types of expenses is both cost effective and necessary as the Department typically does not have trained personnel available to perform these types of work.

Master Planning and Land Maintenance: \$8,680

These expenses center around services related to graphic design in support of property master plans. The cost-effectiveness of contracting for graphic design work is clear to the Department, as this work is sporadic, negating the value of having dedicated staff. In addition, the Friends of WI State Parks provided funding to support master planning, which the Department utilized to hire specialized technical assistance.

Dike/Dam Land Maintenance: \$125,595.90

A majority of these contracts are related to capital development projects specifically road building and maintenance as well as facility repair and maintenance. Utilizing contractors for these types of expenses is both cost effective and necessary as the Department typically does not have trained personnel available to perform these types of work.

Air Photos: \$156,400

The Department no longer has the resources to perform this work, so the use of contractors is necessary when aerial surveys are required.

Summary

The Department of Natural Resources contracts with private companies and non-profit conservation organizations to implement high-priority land management projects for which state employees and/or equipment is not available. In most cases the Department does not have the necessary equipment or skills, while in a significant number of other situations there are not enough state employees available to do the work. Please see Appendix A for the full listing of costs in 2009.

Category	
Boat Access	\$130,026.11
Habitat	\$165,162.52
Hatcheries	\$42,971.23
Invasives	\$152,077.13
Land Maint.	\$466,226.63
Tree Planting	\$39,949.31
Wetland Maint.	\$198,768.84
Wildlife Area Maint.	\$12,245.00
Facilities Maint.	\$525,706.48
Trails Maint.	\$249,558.34
Master Planning	\$8,680.00
Dike/Dam Maint.	\$125,595.90
Air photos	\$156,400.00
Total	\$2,273,367.49